

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DODE-00 PA-03 USIA-12 PRS-01 RSR-01 /151 W

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 7799

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E. O. 11652: N/ A

TAGS: ECON, EIND

SUBJ: DIRECTIVE ON IMPROVEMENT OF MANAGEMENT OF INDUSTRY

1. DURING COURSE OF DINNER FOR EX- IM BANK PRESIDENT KEARNS ON APRIL 4, I SPOKE BRIEFLY WITH V. V. SPANDARYAN, CHIEF OF THE FOREIGN TRADE DEPARTMENT OF THE USSR STATE PLANNING COMMITTEE (GOSPLAN) REGARDING THE RECENT DIRECTIVE ON IMPROVING THE MANAGEMENT OF INDUSTRY. (AN ANALYSIS WILL FOLLOW VIA SEPTTEL.)

2. SPANDARYAN VOLUNTEERED THAT THE DIRECTIVE HAD BEEN GENERATED WITHIN THE STATE PLANNING COMMITTEE AND THAT IT HAD BEEN UNDER CONSIDERATION FOR SOME TIME.

3. ONE PURPOSE OF THE DIRECTIVE IS TO INCREASE DECISION- MAKING BY ELIMINATING UNNECESSARY BUREAUCRATIC LAYERING BETWEEN GOSPLAN AND THE MINISTRIES ON ONE HAND THE PRODUCTION ASSOCIATIONS AND INDIVIDUAL ENTERPRISES ON THE OTHER. THE SECOND PURPOSE WAS TO INCREASE THE PRODUCTIVITY AND EFFICIENCY OF ENTERPRISES BY PERMITTING INDUSTRIAL ASSOCIATIONS AND INDIVIDUAL MANAGERS TO HAVE A GREATER VOICE IN THE ACTUAL "ECONOMIC DECISIONS" THAT HAVE TO BE TAKEN TO MEET PRODUCTION TARGETS. (SPANDARYAN MADE A DISTINCTION BETWEEN ADMINISTRATIVE AND ECONOMIC DECISIONS. ON THE ADMINISTRATIVE SIDE, GOSPLAN, FOR EXAMPLE, WOULD STILL

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ESTABLISH TARGETS, ALLOCATE RESOURCES AND SET PRICES. HE UNDERLINED THAT PRICES WOULD BE FIRMLY CONTROLLED TO AVOID INFLATION. THE BASIC ECONOMIC DECISIONS WOULD BE LEFT TO THE MANAGERS ON THE ASSOCIATION AND ENTERPRISE LEVEL.)

4. TO IMPROVE EFFICIENCY, ENTERPRISES WOULD BE UNITED INTO LARGE INDUSTRIAL ASSOCIATIONS ON A HORIZONTAL PLANE. THESE ASSOCIATIONS WOULD, AMONG OTHER THINGS, INCORPORATE RESEARCH AND DEVELOPMENT AS WELL AS DESIGN FACILITIES RELATED TO THE PARTICULAR PRODUCT OR PRODUCTS WHICH AN INDUSTRIAL ASSOCIATION PRODUCES.

5. THE INCENTIVE FOR SEEKING ECONOMIES OF SCALE, A REDUCTION OF LABLR AND OVERHEAD COSTS, SPEEDIER INNOVATION, ETC., LIES IN GIVING THE ASSOCIATIONS AGREATER VOICE IN THE DISPOSAL OF PROFITS FOR SUCH PURPOSES AS SALARIES, HOUSING, INVESTMENT AND TECHNOLOGICAL INNOVATION. SPANDARYAN NOTED THAT THE INDUSTRIAL ASSOCIATIONS ARE TO BE SELF- SUPPORTING AND THAT THEY WILL NOT BE ABLE TO COUNT ON FEDERAL OR REPUBLICAN BUDGETARY ALLOCATIONS FOR THEIR OPERATIONS.

6. SPANDARYAN SPECULATED THAT THE PLAN WOULD BE IMPLEMENTED OVER A TWO- TO- THREE YEAR PERIOD OF TIME AND THAT THE GOING MAY NOT ALWAYS BE SMOOTH AND EASY.

DUBS

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